



RICHFIELD CITY
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

With Report of
Certified Public Accountants



KEMP BURDICK
KEMP BURDICK HINTON & HALL L.C.
CPA'S & ADVISORS

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FINANCIAL SECTION

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**KEMPBURDICK**

KEMP BURDICK HINTON & HALL L.C.

CPA'S & ADVISORS

Independent Auditors' Report

The Honorable Mayor and
Members of the City Council
Richfield, Utah

MEMBERS:
KRIS J. BRAUNBERGER
DEAN R. BURDICK
BRENT R. HALL
KENNETH A. HINTON
GREGORY A. KEMP
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Richfield City, Utah, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Richfield City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Richfield City, Utah as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2005, on our consideration of Richfield City's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-10, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management

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regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Richfield City's basic financial statements. The accompanying combining statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Richfield City, Utah. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kemp, Burdick, Hinton & Hall, L.C.

KEMP, BURDICK, HINTON & HALL, L.C.

October 7, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion of Richfield City's financial performance provides an overview of the City's financial activities for the year ending June 30, 2005. This report is in conjunction with the City's financial statements.

The purpose of the City is to provide general governmental services to its residents which includes general government, public safety, highways and public improvements, parks and recreation, water, sewer, refuse collection and other services as outlined by the City Council and Mayor.

Financial Highlights

- The assets of Richfield City exceeded its liabilities as of the close of the most recent fiscal year by \$15,208,575 (net assets). Of this amount, \$1,611,059 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. Richfield City's total net assets increased by \$511,740.
- At the close of the current year, the Richfield City governmental fund reported ending fund balance of \$1,509,250, a decrease of \$288,706 in comparison with the prior year.
- Richfield City issued new debt totaling \$151,000. The debt was issued for water meter reading equipment in the water fund.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Richfield City's basic financial statements. Richfield City's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Richfield City's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of Richfield City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Richfield City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Richfield City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Richfield City include general government, public safety, highways and public improvements, and parks and recreation. The business-type activities of Richfield City are water, sewer, garbage and landfill services.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Richfield City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Richfield City can be divided into three categories: governmental funds, enterprise funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the governmental fund financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Richfield City maintains four governmental funds; 1) the general fund, which is always a major fund; 2) the capital improvement fund; 3) the special revenue fund and; 4) the debt service fund.

Richfield City adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided to demonstrate legal compliance with the adopted budget for the general fund.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary (Enterprise) Funds

Richfield City maintains four proprietary funds. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Richfield City uses an enterprise fund to account for its water, sewer, landfill and garbage operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The four enterprise funds are considered major funds of Richfield City.

Refer to the table of contents for the location of the basic enterprise fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Cemetery Perpetual Care Fund is the only fiduciary fund of Richfield City.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Richfield City.

Government-wide Financial Analysis

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of Richfield City, assets exceeded liabilities by \$15,208,575 at the close of the most recent fiscal year.

By far the largest portion of Richfield's net assets (84%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. Richfield used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Richfield's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Following is a two year comparison of the net assets of the city:

Richfield City Statement of Net Assets

	Governmental activities		Business-type activities	
	2005	2004	2005	2004
Current and other assets	\$ 1,946,048	\$ 2,257,026	\$ 1,392,842	\$ 1,737,807
Capital assets	10,133,691	10,105,505	13,749,409	13,515,442
Total assets	12,079,739	12,362,531	15,142,251	15,253,249
Long-term liabilities outstanding	3,040,430	3,523,181	8,176,721	8,563,757
Other liabilities	487,302	525,319	308,962	306,688
Total liabilities	3,527,732	4,048,500	8,485,683	8,870,445
Net assets:				
Invested in capital assets, net of related debt	7,170,141	6,582,324	5,572,688	4,951,685
Restricted	854,687	800,590	-	-
Unrestricted	527,179	931,117	1,083,880	1,431,119
Total net assets	\$ 8,552,007	\$ 8,314,031	\$ 6,656,568	\$ 6,382,804

Richfield City
Changes in Net Assets

	Governmental activities		Business-type activities	
	2005	2004	2005	2004
Revenues:				
Program revenues:				
Charges for services	\$ 1,144,127	\$ 1,331,967	\$ 2,262,108	2,104,010
Operating grants and contributions	336,756	431,373	-	-
Capital grants and contributions	36,513	180,017	-	-
General revenues:				
Taxes	3,061,989	2,735,288	-	-
Unrestricted investment earnings	68,608	61,163	2,750	8,635
Miscellaneous	247,377	96,883	-	-
Transfers	13,929	(159,194)	(13,929)	159,194
Total revenues	<u>4,909,299</u>	<u>4,677,497</u>	<u>2,250,929</u>	<u>2,271,839</u>
Expenses:				
General government	656,470	944,048	-	-
Public safety	1,055,505	1,006,972	-	-
Public works	1,429,963	882,506	-	-
Parks and recreation	1,205,230	1,118,670	-	-
Community development	223,996	210,067	-	-
Interest on long-term debt	85,159	105,854	-	-
Water	-	-	744,683	673,015
Sewer	-	-	827,817	860,379
Landfill	-	-	212,271	206,490
Refuse	-	-	192,394	183,764
Total expenses	<u>4,656,323</u>	<u>4,268,117</u>	<u>1,977,165</u>	<u>1,923,648</u>
Increase in net assets	252,976	409,380	273,764	348,191
Net assets, beginning	8,314,031	7,904,651	6,382,804	6,034,613
Prior period adjustment	(15,000)	-	-	-
Net assets, ending	<u>\$ 8,552,007</u>	<u>\$ 8,314,031</u>	<u>\$ 6,656,568</u>	<u>\$ 6,382,804</u>

Business-type Activities

Business-type activities increased Richfield City's net assets by \$273,764 accounting for 53% of the growth in the government's net assets. Key elements of the changes are shown above.

Financial Analysis of the Government's Funds

As noted earlier, Richfield City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

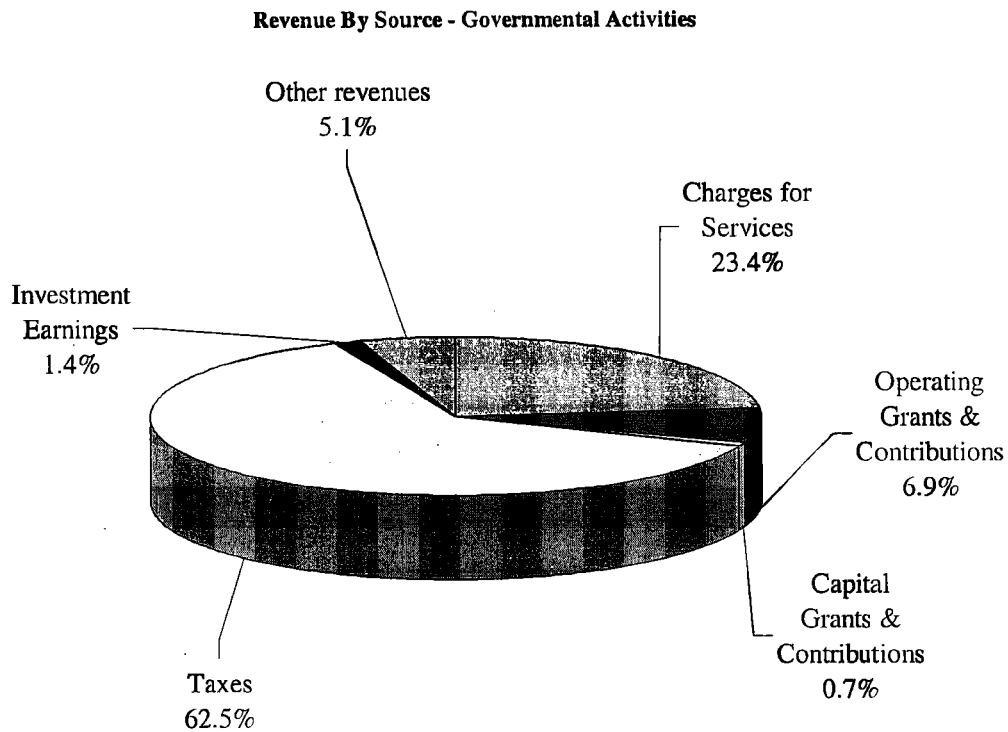
The focus of Richfield City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing Richfield City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, Richfield City's governmental funds (General, Capital Improvements, Special Revenue, and Debt Service) reported ending fund balances of \$1,509,250, a decrease of \$288,706 in comparison with the prior year. Approximately 38% of this amount, \$604,059, constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to debt service, \$381,073, 2) capital projects, \$457,315, 3) perpetual care, \$66,803.

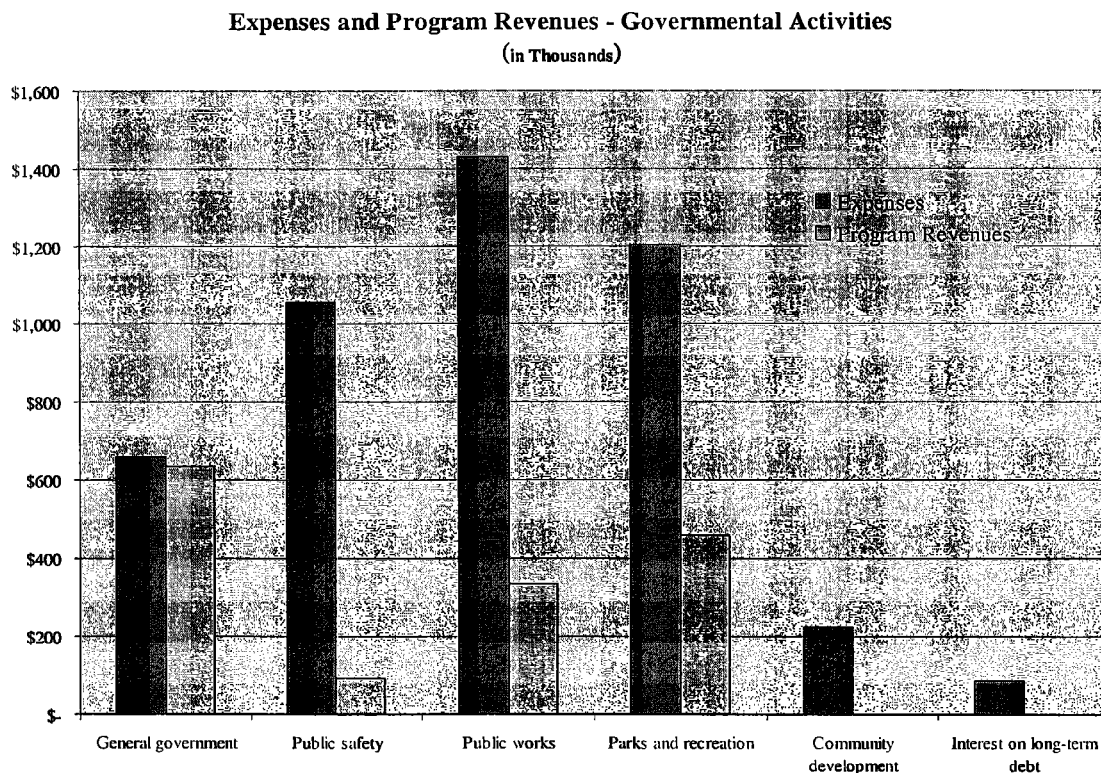
The general fund is the chief operating fund of Richfield City. All activities which are not required to be accounted for in separate funds either by state or local ordinance, or by a desire to maintain a matching of revenues and expenses are accounted for in this fund. At the end of the 2005 fiscal year, unreserved fund balance of the general fund was \$702,475. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 16 percent of total general fund expenditures.

Taxes continue to be the largest source of revenue in the General Fund and represent 63% of total general fund revenues. The largest element of taxes is sales tax. It represents 75% of total tax revenues and represents 47% of total general fund revenues.

The following chart displays General Fund revenues as a percent of total revenue.



The following graph displays the expenditures in the General Fund by function for the 2005 fiscal year. As can be seen by reviewing the graph, parks, recreation and public property, and public safety were the two largest departments in the City for the 2005 fiscal year.



As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separated fund statements included in this report provide the same information for business-type activities as is provided in the governmental-wide financial statements. However, the difference is that the fund statements provide much more detail.

The water fund revenues increased significantly (approximately \$130,000) due to a rate increase implemented for the purpose of paying for the bonded indebtedness associated with the new water mains, new well and pump, the new storage tank, and the new water metering improvements.

General Fund Budgetary Highlights

During the fiscal year, the General Fund original budget was amended to take advantage of revenues being better than originally anticipated. The largest increase was to allow for the transfer of surplus revenues from the General Fund to the Capital Improvements Fund.

Capital Asset and Debt Administration

Capital Assets

Richfield City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, was \$23,883,100 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery, and equipment. The total decrease in Richfield City's investment in capital assets for the current year was \$635,820. Depreciation on capital assets is recognized in the Government-Wide financial statements. Major capital asset events during the fiscal year included the following:

- Machinery & Equipment of \$16,077
- Water System Improvements of \$2,905,251

Additional information on the City's capital assets can be found in the notes to the financial statements.

Long-Term Debt

At June 30, 2005, the City had total bonded debt outstanding of \$11,217,151. Of this amount, none is considered to be general obligation debt and backed by the full faith and credit of the City; \$328,000 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment; and the remainder of \$10,889,151 is debt which is secured solely by specific revenue sources (i.e., revenue bonds).

The City issued new debt of \$151,000 during the fiscal year, all in the water fund for the purpose of upgrading the city's water metering system with electronic meter reading capabilities.

Additional information on the outstanding debt obligations of the City can be found in the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

During the 2005 fiscal year, the City's sales tax collections again increased significantly. This is due to the opening of a new Wal-mart Supercenter for a full year. We believe that this supercenter will help Richfield City remain a regional shopping center which is very important to the continued growth of our community. Additional hotels and restaurants have been constructed and also add to the economic health of Richfield.

Tax rates for the City have remained constant for several years and no increase is anticipated in the short-term. Also, we do not anticipate any major changes in the county or school district tax rates.

Another major economic factor that could really help the area and community economically is the construction of a coal fired power plant by Nevco Energy. Their proposal has been approved by the Department of Environmental Quality, but is now in an appeal stage. Should this power plant be built in the next few years, it would add over four hundred million dollars to the County's tax base and would create over 70 jobs.

Another major economic factor is the oil industry. The discovery of oil and the development of several wells in the county could have a major impact on the economy of the area. If additional well are developed, growth in the area could swell. This would not only increase revenues of the city, but would also significantly impact the demand for services by the city, especially in public safety and public works.

Budget increases are anticipated in the City because of the growth of the community and in the tax dollars coming into the City from sales tax growth and property tax growth. The economy of the area seems to be headed in a positive direction at this time.

Requests For Information

This financial report is designed to provide a general overview of Richfield City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Richfield City, Financial Director, 75 East Center Street, P.O. Box 250, Richfield, Utah 84701.

BASIC FINANCIAL STATEMENTS

RICHFIELD CITY, UTAH
Statement of Net Assets
June 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 314,190	\$ 1,153,820	\$ 1,468,010
Receivables (net of allowance)	588,479	239,022	827,501
Inventory	112,405	-	112,405
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	930,974	-	930,974
Capital assets (net of accumulated depreciation):			
Land and water	2,088,252	2,655,017	4,743,269
Buildings	1,356,779	16,480	1,373,259
Improvements	5,961,070	-	5,961,070
Machinery and equipment	709,806	176,400	886,206
Distribution and collection systems	-	10,901,512	10,901,512
Construction in progress	-	-	-
Infrastructure	17,784	-	17,784
Total assets	<u>12,079,739</u>	<u>15,142,251</u>	<u>27,221,990</u>
Liabilities			
Accounts payable and other current liabilities	179,685	142,591	322,276
Deferred revenue	257,113	14,751	271,864
Interest payable	50,504	151,620	202,124
Retention payable	-	-	-
Noncurrent liabilities:			
Due within one year	328,496	479,276	807,772
Due in more than one year	2,711,934	7,697,445	10,409,379
Total liabilities	<u>3,527,732</u>	<u>8,485,683</u>	<u>12,013,415</u>
Net Assets			
Invested in capital assets, net of related debt	7,170,141	5,572,688	12,742,829
Restricted for:			
Debt service	330,569	-	330,569
Capital projects	457,315	-	457,315
Perpetual care	66,803	-	66,803
Other purposes	-	-	-
Unrestricted	527,179	1,083,880	1,611,059
Total net assets	<u>\$ 8,552,007</u>	<u>\$ 6,656,568</u>	<u>\$ 15,208,575</u>

The accompanying notes are an integral part of the financial statements.

RICHFIELD CITY, UTAH
Statement of Activities
For the Year Ended June 30, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Primary government:						
Governmental activities:						
General government	\$ 656,470	\$ 634,166	\$ -	\$ -	\$ (22,304)	\$ (22,304)
Public safety	1,055,505	3,875	88,080	-	(963,550)	(963,550)
Public works	1,429,963	55,337	242,552	36,513	(1,095,561)	(1,095,561)
Parks and recreation	1,205,230	450,749	6,124	-	(748,357)	(748,357)
Community development	223,996	-	-	-	(223,996)	(223,996)
Interest on long-term debt	85,159	-	-	-	(85,159)	(85,159)
Total governmental activities	<u>4,656,323</u>	<u>1,144,127</u>	<u>336,756</u>	<u>36,513</u>	<u>(3,138,927)</u>	<u>(3,138,927)</u>
Business-type activities:						
Water	744,683	948,272	-	-	-	203,589
Sewer	827,817	893,709	-	-	-	65,892
Landfill	212,271	226,200	-	-	-	13,929
Refuse	192,394	193,927	-	-	-	1,533
Total business-type activities	<u>1,977,165</u>	<u>2,262,108</u>	<u>-</u>	<u>-</u>	<u>284,943</u>	<u>284,943</u>
Total primary government	<u>\$ 6,633,488</u>	<u>\$ 3,406,235</u>	<u>\$ 336,756</u>	<u>\$ 36,513</u>	<u>(3,138,927)</u>	<u>(2,853,984)</u>
General Revenues:						
Taxes:						
Property taxes levied for general purposes					786,671	786,671
Sales and use taxes					2,080,236	2,080,236
Franchise taxes					195,082	195,082
Unrestricted investment earnings					68,608	2,750
Gain (loss) on disposal of assets					189,000	189,000
Miscellaneous					58,377	58,377
Transfers					13,929	(13,929)
Total general revenues & transfers					<u>3,391,903</u>	<u>3,380,724</u>
Change in net assets					252,976	526,740
Net assets - beginning					8,314,031	14,696,835
Prior period adjustment					(15,000)	(15,000)
Net assets - ending					<u>\$ 8,552,007</u>	<u>\$ 15,208,575</u>

The accompanying notes are an integral part of the financial statements.

RICHFIELD CITY, UTAH
Balance Sheet
Governmental Funds
June 30, 2005

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 312,580	\$ 1,610	\$ -	\$ 314,190
Receivables	24,613	-	261,305	285,918
Due from other governments	302,561	-	-	302,561
Due from other funds	98,416	-	-	98,416
Inventory	112,405	-	-	112,405
Prepaid expenses	-	-	-	-
Restricted cash and cash equivalents	29,975	378,694	522,305	930,974
Total assets	<u>\$ 880,550</u>	<u>\$ 380,304</u>	<u>\$ 783,610</u>	<u>\$ 2,044,464</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 112,053	\$ 1,610	\$ -	\$ 113,663
Accrued liabilities	65,722	-	-	65,722
Retention payable	300	-	-	300
Due to other funds	-	-	98,416	98,416
Deferred revenue	-	-	257,113	257,113
Total liabilities	<u>178,075</u>	<u>1,610</u>	<u>355,529</u>	<u>535,214</u>
Fund Balances:				
Reserved for:				
Debt service	-	-	381,073	381,073
Capital outlay	-	378,694	78,621	457,315
Perpetual care	-	-	66,803	66,803
Unreserved, reported in:				
General fund	590,070	-	-	590,070
General fund, designated	112,405	-	-	112,405
Debt service fund	-	-	(98,416)	(98,416)
Total fund balances	<u>702,475</u>	<u>378,694</u>	<u>428,081</u>	<u>1,509,250</u>
Total liabilities and fund balances	<u>\$ 880,550</u>	<u>\$ 380,304</u>	<u>\$ 783,610</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

10,133,691

Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.

(3,090,934)

Net assets of governmental activities

\$ 8,552,007

The accompanying notes are an integral part of the financial statements.

RICHFIELD CITY, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 486,752	\$ -	\$ 203,146	\$ 689,898
Fees in lieu of property taxes	96,773	-	-	96,773
Sales and use taxes	2,080,236	-	-	2,080,236
Franchise taxes	195,082	-	-	195,082
Licenses, permits and fees	137,405	-	-	137,405
Intergovernmental revenue	373,268	-	-	373,268
Charges for services	951,386	-	-	951,386
Rental income	-	-	267,725	267,725
Special assessments	-	-	55,337	55,337
Contributions and donations	3,900	-	-	3,900
Investment earnings	49,559	288	18,761	68,608
Other revenues	38,981	-	239,496	278,477
Total revenues	4,413,342	288	784,465	5,198,095
Expenditures				
Current:				
General government	720,401	-	159,130	879,531
Public safety	994,450	-	-	994,450
Public works	1,425,316	-	-	1,425,316
Parks and recreation	917,801	-	-	917,801
Community development	221,544	-	-	221,544
Debt service:				
Principal	29,281	-	436,000	465,281
Interest	21,205	-	79,699	100,904
Capital outlay:				
Capital outlay	-	480,903	-	480,903
Total expenditures	4,329,998	480,903	674,829	5,485,730
Excess (deficiency) of revenues over (under) expenditures	83,344	(480,615)	109,636	(287,635)
Other Financing Sources (Uses)				
Operating transfers in	55,361	402,149	67,000	524,510
Operating transfers out	(365,149)	-	(145,432)	(510,581)
Total other financing sources and uses	(309,788)	402,149	(78,432)	13,929
Net change in fund balances	(226,444)	(78,466)	31,204	(273,706)
Fund balances, beginning of year	928,919	457,160	411,877	1,797,956
Prior period adjustment	-	-	(15,000)	(15,000)
Fund balances, end of year	\$ 702,475	\$ 378,694	\$ 428,081	\$ 1,509,250

The accompanying notes are an integral part of the financial statements.

RICHFIELD CITY, UTAH
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balances - total governmental funds (page 14)	\$ (273,706)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	63,186
Governmental funds report the gross proceeds from the sale of fixed assets as revenue. However, in the statement of activities, the gain on the sale of capital assets is reported net of its net book value.	(35,000)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	482,751
Accrued Interest for Long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.	15,745
Change in net assets of governmental activities	<u>\$ 252,976</u>

The accompanying notes are an integral part of the financial statements.

RICHFIELD CITY, UTAH
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 460,672	\$ 460,672	\$ 486,752	\$ 26,080
Fees in lieu of property taxes	89,000	89,000	96,773	7,773
Sales and use taxes	1,768,000	1,968,000	2,080,236	112,236
Franchise taxes	218,916	288,500	195,082	(93,418)
Licenses, permits and fees	113,000	136,000	137,405	1,405
Intergovernmental revenue	352,500	345,463	373,268	27,805
Charges for services	886,500	947,875	951,386	3,511
Contributions and donations	-	2,650	3,900	1,250
Investment earnings	24,000	40,000	49,559	9,559
Other revenues	21,927	46,600	38,981	(7,619)
Total revenues	<u>3,934,515</u>	<u>4,324,760</u>	<u>4,413,342</u>	<u>88,582</u>
Expenditures				
Current:				
General government	705,805	726,465	720,401	6,064
Public safety	981,203	1,012,977	994,450	18,527
Public works	1,031,964	1,420,071	1,425,316	(5,245)
Parks and recreation	850,425	936,570	917,801	18,769
Community development	226,698	227,998	221,544	6,454
Debt service:				
Principal	29,281	29,281	29,281	-
Interest	21,205	21,205	21,205	-
Total expenditures	<u>3,846,581</u>	<u>4,374,567</u>	<u>4,329,998</u>	<u>44,569</u>
Excess (deficiency) of revenues over (under) expenditures	<u>87,934</u>	<u>(49,807)</u>	<u>83,344</u>	<u>133,151</u>
Other Financing Sources (Uses)				
Operating transfers in	11,300	50,100	55,361	5,261
Operating transfers out	(99,234)	(314,234)	(365,149)	(50,915)
Total other financing sources and uses	<u>(87,934)</u>	<u>(264,134)</u>	<u>(309,788)</u>	<u>(45,654)</u>
Net change in fund balances	-	(313,941)	(226,444)	87,497
Fund balances, beginning of year	<u>928,919</u>	<u>928,919</u>	<u>928,919</u>	-
Fund balances, end of year	<u>\$ 928,919</u>	<u>\$ 614,978</u>	<u>\$ 702,475</u>	<u>\$ 87,497</u>

The accompanying notes are an integral part of the financial statements.

RICHFIELD CITY, UTAH
Statement of Net Assets
Proprietary Funds
June 30, 2005

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Funds</u>	<u>Totals 2005</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 493,836	\$ 631,514	\$ 28,470	\$ 1,153,820
Receivables, net of allowance	115,781	84,271	38,970	239,022
Total current assets	<u>609,617</u>	<u>715,785</u>	<u>67,440</u>	<u>1,392,842</u>
Noncurrent assets:				
Capital assets:				
Land and water	2,073,367	581,650	-	2,655,017
Buildings	23,664	122,482	-	146,146
Machinery and equipment	248,994	404,980	-	653,974
Distribution and collection systems	5,979,847	8,802,632	-	14,782,479
Less: Accumulated depreciation	(1,594,835)	(2,893,372)	-	(4,488,207)
Total noncurrent assets	<u>6,731,037</u>	<u>7,018,372</u>	<u>-</u>	<u>13,749,409</u>
Total assets	<u>7,340,654</u>	<u>7,734,157</u>	<u>67,440</u>	<u>15,142,251</u>
Liabilities				
Current liabilities:				
Accounts payable	14,298	4,398	51,186	69,882
Customer deposits	72,709	-	-	72,709
Interest payable	82,872	68,748	-	151,620
Current portion of noncurrent liabilities	219,398	259,878	-	479,276
Total current liabilities	<u>389,277</u>	<u>333,024</u>	<u>51,186</u>	<u>773,487</u>
Noncurrent liabilities:				
Deferred revenue	14,751	-	-	14,751
Leases payable	137,749	111,111	-	248,860
Notes payable	745,233	-	-	745,233
Bonds payable	3,026,163	4,156,465	-	7,182,628
Less current portion of noncurrent liabilities	(219,398)	(259,878)	-	(479,276)
Total noncurrent liabilities	<u>3,704,498</u>	<u>4,007,698</u>	<u>-</u>	<u>7,712,196</u>
Total liabilities	<u>4,093,775</u>	<u>4,340,722</u>	<u>51,186</u>	<u>8,485,683</u>
Net Assets				
Invested in capital assets, net of related debt	2,821,892	2,750,796	-	5,572,688
Unrestricted	424,987	642,639	16,254	1,083,880
Total net assets	<u>\$ 3,246,879</u>	<u>\$ 3,393,435</u>	<u>\$ 16,254</u>	<u>\$ 6,656,568</u>

The accompanying notes are an integral part of the financial statements.

RICHFIELD CITY, UTAH
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Funds</u>	<u>Totals 2005</u>
Operating revenues:				
Charges for services	\$ 821,575	\$ 806,573	\$ 420,127	\$ 2,048,275
Penalties	13,414	-	-	13,414
Other revenues	15,199	2,048	-	17,247
Total operating revenues	<u>850,188</u>	<u>808,621</u>	<u>420,127</u>	<u>2,078,936</u>
Operating expenses:				
Bad debts	752	569	325	1,646
Contractual services	97,000	97,000	399,809	593,809
Depreciation	90,147	280,738	-	370,885
Employee benefits	38,316	51,398	-	89,714
Insurance	25,000	30,000	-	55,000
Miscellaneous	6,029	1,382	-	7,411
Office expense	6,073	4,743	4,531	15,347
Professional services	35,381	17,757	-	53,138
Repairs and maintenance	13,408	12,896	-	26,304
Salaries and wages	76,030	106,438	-	182,468
Supplies	140,541	48,900	-	189,441
Travel and training	3,597	786	-	4,383
Utilities	86,697	14,452	-	101,149
Total operating expenses	<u>618,971</u>	<u>667,059</u>	<u>404,665</u>	<u>1,690,695</u>
Operating income (loss)	<u>231,217</u>	<u>141,562</u>	<u>15,462</u>	<u>388,241</u>
Nonoperating revenues (expenses):				
Connection and impact fees	98,084	85,088	-	183,172
Interest income	2,750	-	-	2,750
Interest expense and fiscal charges	(125,712)	(160,758)	-	(286,470)
Total nonoperating revenues (expenses)	<u>(24,878)</u>	<u>(75,670)</u>	<u>-</u>	<u>(100,548)</u>
Income before contributions and transfers	<u>206,339</u>	<u>65,892</u>	<u>15,462</u>	<u>287,693</u>
Contributions and transfers:				
Transfers to other funds	-	-	(13,929)	(13,929)
Change in net assets	<u>206,339</u>	<u>65,892</u>	<u>1,533</u>	<u>273,764</u>
Total net assets, beginning of year	<u>3,040,540</u>	<u>3,327,543</u>	<u>14,721</u>	<u>6,382,804</u>
Total net assets, end of year	<u>\$ 3,246,879</u>	<u>\$ 3,393,435</u>	<u>\$ 16,254</u>	<u>\$ 6,656,568</u>

The accompanying notes are an integral part of the financial statements.

RICHFIELD CITY, UTAH
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Funds</u>	<u>Totals 2005</u>
Cash flows from operating activities:				
Cash received from customers, service fees	\$ 809,298	\$ 808,626	\$ 419,911	\$ 2,037,835
Cash received from customers, capacity fees and other	28,613	2,048	-	30,661
Cash paid to suppliers	(491,136)	(227,212)	(377,512)	(1,095,860)
Cash paid to employees	(114,346)	(157,836)	-	(272,182)
Net cash flows from operating activities	<u>232,429</u>	<u>425,626</u>	<u>42,399</u>	<u>700,454</u>
Cash flows from noncapital financing activities:				
Transfers (to) from other funds	-	-	(13,929)	(13,929)
Net cash flows from noncapital financing activities	<u>-</u>	<u>-</u>	<u>(13,929)</u>	<u>(13,929)</u>
Cash flows from capital and related financing activities:				
Principal payments on long-term debt	(287,263)	(250,773)	-	(538,036)
Interest paid	(75,354)	(171,883)	-	(247,237)
Purchase of fixed assets	(453,852)	-	-	(453,852)
Reduction in deferred revenue	1,156	-	-	1,156
Connection and impact fees	98,084	85,088	-	183,172
Net cash flows from capital and related financing activities:	<u>(717,229)</u>	<u>(337,568)</u>	<u>-</u>	<u>(1,054,797)</u>
Cash flows from investing activities:				
Interest on investments	<u>2,750</u>	<u>-</u>	<u>-</u>	<u>2,750</u>
Net change in cash and cash equivalents	(482,050)	88,058	28,470	(365,522)
Cash and cash equivalents, beginning of year	<u>975,886</u>	<u>543,456</u>	<u>-</u>	<u>1,519,342</u>
Cash and cash equivalents, end of year	<u><u>\$ 493,836</u></u>	<u><u>\$ 631,514</u></u>	<u><u>\$ 28,470</u></u>	<u><u>\$ 1,153,820</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Net operating income (loss)	\$ 231,217	\$ 141,562	\$ 15,462	\$ 388,241
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities				
Depreciation/amortization	90,147	280,738	-	370,885
Changes in operating assets and liabilities:				
(Increase) Decrease in receivables	(22,394)	2,053	(216)	(20,557)
(Increase) Decrease in due from other funds	5,745	-	-	5,745
Increase (Decrease) in accounts payable	(10,615)	1,273	32,898	23,556
Increase (Decrease) in retention payable	(66,043)	-	-	(66,043)
Increase (Decrease) in customer deposits	4,372	-	-	4,372
Increase (Decrease) in due to other funds	-	-	(5,745)	(5,745)
Net cash flows from operating activities	<u><u>\$ 232,429</u></u>	<u><u>\$ 425,626</u></u>	<u><u>\$ 42,399</u></u>	<u><u>\$ 700,454</u></u>
Noncash investing, capital, and financing activities				
Borrowing under capital lease	\$ 151,000	\$ -	\$ -	\$ 151,000

The accompanying notes are an integral part of the financial statements.

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies

General

The financial statements of Richfield City, Utah have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is whether or not the City exercises significant influence over the potential component unit. Significant influence or accountability is based primarily on operational or financial relationships with the City. Based on these criteria, the City has no component units to be included in the financial statements of the City.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, room taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

The City reports the following major governmental fund:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Capital Projects Fund is used to account used for the construction of city approved projects.

The City reports the following major proprietary funds:

The Water Fund is used to account for the provision of water services to the residents of the City.

The Sewer Fund is used to account for the provision of sewer services to the residents of the City.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted assets are available for use, it is the City's policy to use restricted assets first, then unrestricted assets as they are needed. The City does reserve the right to be selective in the use of such restricted assets that best fit the City's needs.

Deposits and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from other funds." All trade accounts receivable in the enterprise funds are shown net of an allowance for uncollectibles. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

Inventories and prepaid items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories of the business type activities are valued at the lower of FIFO cost or market. Market is considered as replacement cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as computer and office equipment with an estimated useful life in excess of three years and other assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Enterprise fund assets purchased prior to July 1, 2003 were not subject to the cost limit of \$5,000 and were capitalized if they had an estimated life in excess of 3 years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. The City has elected not to report its major general infrastructure assets retroactively. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Improvements	20-40 years
Machinery and equipment	3-10 years
Distribution system	30-40 years
Infrastructure	40 years

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and comp time in the proprietary funds are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

Accumulated unpaid vacation pay and comp time are accrued based upon the City's expected legal obligation as of the statement date. No provision is made for accumulated sick leave because the City is not obligated to pay accumulated sick leave upon termination or retirement.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

Encumbrances

Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation is not employed by the City.

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds payable	\$ 2,128,000
Notes payable	507,550
Special assessments	328,000
Compensated absences	76,880
Accrued interest payable	50,504
	<u>\$ 3,090,934</u>

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital Outlay	\$ 492,253
Depreciation Expense	<u>(429,067)</u>
Net adjustment to increase net changes in fund	
balance - total governmental funds to arrive at changes	
in net assets of governmental funds	<u>\$ 63,186</u>

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 3. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

Annual budgets are reported and adopted by the City Council on or before June 22 for the fiscal year commencing the following July 1 in accordance with State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures. Prior to June 22, a public hearing is conducted to obtain taxpayer input. Budgets are adopted and control of budget appropriations is exercised, under State Law, at the department level. Budget amendments are required to increase expenditure budgets and are adopted, in a public hearing, before the end of the fiscal year. The budget was amended during the current fiscal year.

The General Fund budget is prepared using the modified accrual basis of accounting. Budgets for the proprietary fund types are prepared using the accrual basis of accounting, except that depreciation for all proprietary fund types is not budgeted.

Taxes

Property taxes are collected by the Sevier County Treasurer and remitted to the City in monthly installments. Taxes are levied each October on the taxable value listed as of the prior January 1 for all real property located in the City. Taxable values are established by the County Assessor at 55 percent of the fair market value on primary residential property and 100 percent of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year, at which time they become liens if not paid.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly.

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 4. Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2005, \$203,992 of the City's bank balance of \$349,567 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated*, 1953, as

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 4. Deposits and Investments, Continued

amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2005 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Utah Public Treasurers' Investment Fund	\$2,006,449	\$2,006,449	\$ -	\$ -	\$ -
Total Fair Value	<u>\$2,006,449</u>	<u>\$2,006,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At June 30, 2005 the City had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Utah Public Treasurers' Investment Fund	\$2,006,449	\$ -	\$ -	\$ -	\$2,006,449
Total Fair Value	<u>\$2,006,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,006,449</u>

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 5. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

Governmental Type Activities:

	Balance 6/30/2004	Additions	Deletions	Balance 6/30/2005
Capital assets, not being depreciated:				
Land	\$ 2,123,252	\$ -	\$ 35,000	\$ 2,088,252
Total capital assets, not being depreciated	2,123,252	-	35,000	2,088,252
Capital assets, being depreciated:				
Buildings	3,972,507	-	-	3,972,507
Improvements	7,731,107	385,050	-	8,116,157
Machinery & equipment	2,375,998	88,585	13,500	2,451,083
Infrastructure	-	18,618	-	18,618
Total capital assets, being depreciated	14,079,612	492,253	13,500	14,558,365
Less accumulated depreciation for:				
Buildings	(2,547,065)	(68,663)	-	(2,615,728)
Improvements	(1,931,566)	(223,521)	-	(2,155,087)
Machinery & equipment	(1,618,728)	(136,049)	(13,500)	(1,741,277)
Infrastructure	-	(834)	-	(834)
Total accumulated depreciation	(6,097,359)	(429,067)	(13,500)	(6,512,926)
Total capital assets, being depreciated, net	7,982,253	63,186	-	8,045,439
Governmental activities capital assets, net	\$ 10,105,505	\$ 63,186	\$ 35,000	\$ 10,133,691

Depreciation expense was charged to the functions/programs of the City as follows:

Governmental Activities:

General government	\$ 60,382
Public safety	65,423
Highways	9,014
Parks and recreation	291,796
Community development	2,452
Total depreciation expense - governmental activities	\$ 429,067

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 5. Capital Assets, Continued

Business Type Activities:

	Balance 6/30/2004	Additions	Deletions	Balance 6/30/2005
Capital assets not being depreciated:				
Land and water rights	\$ 2,655,017	\$ -	\$ -	\$ 2,655,017
Total capital assets, not being depreciated	2,655,017	-	-	2,655,017
Capital assets being depreciated:				
Buildings	146,146	-	-	146,146
Machinery and equipment	665,242	16,077	27,345	653,974
Distribution system	11,877,228	2,905,251	-	14,782,479
Construction in progress	2,316,477	-	2,316,477	-
Total capital assets, being depreciated	15,005,093	2,921,328	2,343,822	15,582,599
Less accumulated depreciation for:				
Buildings	(128,470)	(1,196)	-	(129,666)
Machinery and equipment	(452,763)	(52,156)	(27,345)	(477,574)
Distribution system	(3,563,435)	(317,532)	-	(3,880,967)
Total accumulated depreciation	(4,144,668)	(370,884)	(27,345)	(4,488,207)
Total capital assets, being depreciated, net	10,860,425	2,550,444	2,316,477	11,094,392
Business-type activities capital assets, net	<u>\$ 13,515,442</u>	<u>\$ 2,550,444</u>	<u>\$ 2,316,477</u>	<u>\$ 13,749,409</u>

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 6. Long-Term Debt

The following is a summary of changes in long-term debt for the primary for the year ended June 30, 2005:

	Primary Government				
	Balance 6/30/2004	Additions	Retirements	Balance 6/30/2005	Current Portion
Governmental Activities:					
Note payable	\$ 536,832	\$ -	\$ 29,282	\$ 507,550	\$ 30,496
Special assessments	548,000	-	220,000	328,000	76,000
Revenue bonds	2,344,000		216,000	2,128,000	222,000
Capital leases	-	-	-	-	-
Accrued compensated absences	94,350	-	17,470	76,880	-
Governmental activity					
Long-term liabilities	3,523,182	-	482,752	3,040,430	328,496
Business-type Activities:					
Note payable	834,064	-	88,832	745,233	20,719
Revenue bonds	7,600,649	-	418,021	7,182,628	411,576
Capital leases	129,043	151,000	31,183	248,860	46,981
Business type activity					
Long-term liabilities	8,563,756	151,000	538,036	8,176,721	479,276
Total long-term liabilities	\$ 12,086,938	\$ 151,000	\$ 1,020,788	\$ 11,217,151	\$ 807,772

Long-term debt for the primary government at June 30, 2005 is comprised of the following issues:

(1) Notes Payable:

Water Fund:

Note Payable Doug & Mona Peterson with annual principal and interest installments of \$50,000 through 2006 and \$80,000 thereafter, bearing interest at 5.0%, maturing December 21, 2017.

\$ 696,124

Note Payable Zions First National Bank with annual principal and interest installments of \$7,102, currently bearing interest at 3.188% (variable with prime), maturing June 24, 2013.

49,109

Total notes payable for business-type activities

745,233

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 6. Long-Term Debt, Continued

General:

Note Payable Zions Bank with annual principal and interest installments of \$50,486, bearing interest at 3.9%, maturing March 1, 2018.	<u>507,550</u>
Total notes payable for governmental activities	<u>507,550</u>
Total notes payable	<u>1,252,783</u>

(2) Special Assessment Bonds:

Debt Service Fund:

1994 Special Assessment Revenue Bonds SID 1994-1, due in annual principal and interest installments ranging from \$30,620 to 31,204 and a final lump sum payment of \$157,290 at maturity on December 15, 2004, with interest at 7.0%.

1997-2 Special Assessment Revenue Bonds, Series 1998A due in annual principal and interest installments ranging from \$92,488 to \$93,909, with interest ranging from 4.95%-5.10%, maturing December 1, 2008.

	<u>328,000</u>
Total special assessment bonds	<u>328,000</u>

(3) General Obligation Bonds:

None

(4) Revenue Bonds:

Water Fund:

Flood Prevention Revenue Bonds, Series 1986, due in annual principal installments of \$30,000, with 0% interest, maturing January 1, 2007.	60,000
Water Revenue Bonds, Series 1997, due in annual principal and interest installments of \$56,169.81, with interest of 5.0%, maturing March 1, 2008.	135,612
Water Revenue Bonds, Series 1997, due in annual principal and interest installments of \$35,825.97, with interest of 3.0%, maturing March 1, 2008.	79,551
Water Revenue Bonds, Series 1996, due in annual principal and interest installments of varying amounts, with 3.0% interest, maturing April 1, 2012.	78,000

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 6. Long-Term Debt, Continued

Parity Water Revenue Bonds, Series 2003A, due in annual principal and interest installments of varying amounts of approximately \$45,000, with interest at 2.5%, maturing March 1, 2024. 673,000

Parity Water Revenue Bonds, Series 2003B, due in annual principal and interest installments of varying amounts, beginning at \$70,000 and increasing to \$141,450 at maturity of July 1, 2024, with interest at 2.5%. 2,000,000

Sewer Fund:

Parity Sewer Revenue Bonds, Series 1999, due in annual installments of varying amounts, with 4.0% hardship grant interest assessment, maturing February 1, 2020. 3,470,223

Sewer Revenue Bonds, Series 1983, due in annual installments of principal and interest of \$26,666.67, with interest at 0.0%, maturing January 1, 2014. 239,999

Sewer Revenue Bonds, Series 1983, due in annual installments of principal and interest of \$61,391.54, with interest at 4.5%, maturing January 1, 2014. 446,243

Total revenue bonds for business-type activities 7,182,628

General Fund:

Building Authority Golf Course Bonds, Series 2000A due in annual principal installments of \$25,000, with interest at 0.0%, maturing July 1, 2022. 450,000

Building Authority Golf Course Bonds, Series 2000B due in annual installments of principal and interest of varying amounts of approximately \$80,000, with interest at 2.5%, maturing July 1, 2022. 1,151,000

Building Authority Revenue Bonds, Series 1986, due in annual installments of varying amounts, currently bearing interest at 9.0% (variable), matured September 2004. -

Downtown Enhancement Project, Series A, due in annual installments of principal and interest of varying amounts, with a interest at 2.5%, maturing April 1, 2018. 433,000

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 6. Long-Term Debt, Continued

Downtown Enhancement Project Series B, due in annual installments of principal and interest of varying amounts, with interest at 1.5%, maturing April 1, 2018.	<u>94,000</u>
Total revenue bonds for governmental activities	<u>2,128,000</u>
Total revenue bonds	<u>9,310,628</u>
(5) Leases Payable:	
Sewer Fund:	
Lease payable in annual installments of \$22,481 through October 10, 2010, at interest of 3.65%.	111,111
Water Fund:	
Lease payable in semi-annual installments of \$16,985 through July 1, 2009, at interest of 4.27%.	<u>137,749</u>
Total leases payable	<u>248,860</u>
Accrued vacation and comp time payable	<u>76,880</u>
Less: Deferred amounts for issuance discounts on bond refunding	<u>-</u>
Total long-term debt	11,217,151
Less: Current portion	
Business-type activities	(479,276)
Governmental-type activities	<u>(328,496)</u>
Net long-term debt	<u><u>\$ 10,409,379</u></u>

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 6. Long-Term Debt, Continued

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

The Governmental Accounting Standards Board requires special assessment debt to be recorded on the books when establishment and maintenance of a guarantee fund is required; however, the Assessment Bonds are not general obligations of the City, but are payable exclusively out of the Special Assessment Fund and the Guaranty Fund. The City shall not be held liable for the payment of the Assessment Bonds, except to the extent of the Special Assessment Fund and Guaranty Fund, but shall be held responsible for the lawful levy of all regular assessments, for the maintenance of the Guaranty Fund as provided by law, and for the faithful accounting, collection, settlement and payment of the assessments and the moneys in said Funds

The annual requirements to amortize bonds and notes payable at June 30, 2005 are as follows:

Fiscal Period Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 328,496	\$ 77,570	\$ 431,312	\$ 273,546
2007	342,731	67,670	446,448	258,793
2008	213,016	57,264	423,000	243,667
2009	219,354	49,980	458,916	227,865
2010	135,745	42,371	473,483	211,869
2011-2015	735,544	165,466	2,492,677	798,291
2016-2020	682,664	69,221	2,378,025	355,092
2021-2025	306,000	11,650	824,000	60,625
2026-2030	-	-	-	-
Total	<u>\$ 2,963,550</u>	<u>\$ 541,192</u>	<u>\$ 7,927,861</u>	<u>\$ 2,429,748</u>

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 7. Capital Leases

The City has entered into two lease agreements, which are considered a capital leases in accordance with Financial Accounting Standard Board statement number 13. The leases are with Zions Bank and are recorded in the sewer fund and water. Equipment under capitalized leases at June 30, 2005 amounts to \$134,308 in the sewer fund and \$184,460 in the water fund. Accumulated depreciation on the assets is \$28,039 and \$8,541 respectively. The following is an annual schedule of future minimum lease payments at 3.65% and 4.27%, under the capital leases, together with the present value of the net minimum lease payments:

<u>Year Ending June 30</u>	<u>Sewer Fund</u>	<u>Water Fund</u>
2006	\$ 22,480	\$ 33,970
2007	22,481	33,971
2008	22,481	33,971
2009	22,480	33,971
2010	22,481	16,985
2011	11,241	-
Total remaining minimum lease payments	123,644	152,868
Less amount representing interest	(12,533)	(15,119)
Present value of net remaining minimum lease payments	<u>\$ 111,111</u>	<u>\$ 137,749</u>

NOTE 8. Defeasance of Long-Term Debt

In prior years, Richfield City defeased certain general obligation and other bonds by placing the proceeds for new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2005, \$1,961,000 of bonds outstanding is considered defeased.

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 9. Equity Classifications

Equity is classified in the government-wide financial statements as net assets and is displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

At June 30, 2005, the City’s reserved and designated fund balances are as follows:

General Fund:

Designated:

Inventories	\$ 112,405
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Capital Projects Fund:

Reserved:

Capital improvements	\$ 378,694
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Debt Service Funds:

Reserved:

SID Guaranty Fund	\$ 73,577
Main Street Improvement Fund	120,911
	<u>\$ 194,488</u>

Trust Fund:

Reserved:

Cemetery Perpetual Care	\$ 66,803
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Special Revenue Funds:

Reserved:

Debt service	\$ 186,585
Capital improvements	78,621
	<u>\$ 265,206</u>

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 10. Defined Benefit Pension Plan

All full-time employees of the City participate in the Utah State-Wide Local Government Retirement Systems (Systems).

Plan Description

Richfield City contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor.

The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, and Firefighters Retirement System which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 S., Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, Richfield City is required to contribute 11.09% of their annual covered salary, and in the Public Safety System the City is required to contribute 19.08% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 10. Defined Benefit Pension Plan, Continued

The required contributions and amounts received for the 2005 fiscal year and the two previous years are as follows:

<u>Year</u>	<u>Employee paid contributions</u>	<u>Employer paid for employee contributions</u>	<u>Employer contributions</u>	<u>Salary subject to retirement contributions</u>
Noncontributory System:				
Local Governmental Division				
2005	N/A	N/A	\$ 87,093	\$ 785,327
2004	N/A	N/A	79,231	823,611
2003	N/A	N/A	69,032	794,391
Public Safety System:				
Other Division A Noncontributory				
2005	N/A	N/A	\$ 76,469	\$ 400,779
2004	N/A	N/A	59,035	363,515
2003	N/A	N/A	50,393	362,766

The contributions were equal to the required contributions for each year.

NOTE 11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk financing activities are accounted for in various operating funds, with unallocated or City-wide activities being accounted for in the general fund.

The City maintains insurance for general liability, auto liability, and employee dishonesty through The St. Paul Insurance Company. Worker's compensation coverage is carried through the Worker's Compensation Fund of Utah.

NOTE 12. Prior period adjustment

A prior period adjustment was made in the redevelopment agency fund. The City settled a lawsuit and agreed to pay \$15,000 in construction expenditures that applied to the prior year. The adjustment reduces beginning fund balance in the redevelopment agency fund and beginning net assets of governmental activities.

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 13. Commitments

Fire Truck Purchase

In July of 2005, the City entered into a contract with Pierce Manufacturing for the purchase of a fire ladder truck in the amount of \$800,000.

NOTE 14. Interfund Balances and Transfers

Interfund transfers for the year ended June 30, 2005, consisted of the following:

		Transfers From			
		General Fund	Capital Projects Fund	Nonmajor Governmental	Nonmajor Enterprise
Transfers To	General Fund	\$ -	\$ -	\$ 41,432	\$ 13,929
	Capital Projects	365,149	-	37,000	-
	Total	\$ 365,149	\$ -	\$ 78,432	\$ 13,929
					\$ 457,510

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Individual fund receivable and payable balances at June 30, 2005 were:

		Due From	
		General Fund	Non-major Governmental
Due To	General Fund	\$ -	\$ 98,416
	Capital Projects	-	-
	Total	\$ -	\$ 98,416

Interfund balances resulted from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NONMAJOR FUNDS

DEBT SERVICE FUNDS

The Debt Service Funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

1994 Street Improvement District Fund – This fund is used to account for the funds accumulated and payments made for the Series 1994 Special Assessment Bonds.

SID Guaranty Fund – This fund is used to account for the property tax revenues used to guaranty payment of the Series 1994 Special Assessment Bonds and the Series 1997-2 Special Improvement Bonds.

Main Street Improvement Fund – This fund is used to account for the funds accumulated and payments made for the Series 1997-2 Special Assessment Bonds.

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Redevelopment Agency Fund – This fund is used to account for property tax revenues to be used on redevelopment projects.

Peterson UDAG Fund – This fund is used to account for federal government grant funds to be used on economic development projects as approved by the City council.

Building Authority Fund – This fund is used to collect rent revenues from Richfield City and Richfield City Redevelopment Agency and to use those revenues to pay off the bonded indebtedness incurred to finance the construction of several downtown improvement projects and golf course improvements.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for the purposes that support the reporting government's programs.

Perpetual Care Permanent Fund – This fund is used to account for the principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

PROPRIETARY FUNDS

Proprietary funds are used to account for the provision of utility services to the residents of the City.

Landfill Fund – This fund is used to account for the billings and collections of landfill services. The City keeps a portion of the billings as an administrative fee and remits the remainder to Sevier County.

Refuse Collection Fund – This fund is used to account for the provision of refuse collection for the residents of the City.

RICHFIELD CITY, UTAH
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Debt Service			
	1994 Street Improvement District	SID Guaranty	Main St. Improvement	Total
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables	49,584	2,146	207,529	259,259
Restricted cash and cash equivalents	-	71,431	120,911	192,342
Total assets	<u>\$ 49,584</u>	<u>\$ 73,577</u>	<u>\$ 328,440</u>	<u>\$ 451,601</u>
Liabilities and Fund Balances				
Liabilities:				
Due to other funds	\$ 98,416	\$ -	\$ -	\$ 98,416
Deferred revenue	49,584	-	207,529	257,113
Total liabilities	<u>148,000</u>	<u>-</u>	<u>207,529</u>	<u>355,529</u>
Fund Balances:				
Reserved for:				
Debt service	-	73,577	120,911	194,488
Capital outlay	-	-	-	-
Perpetual Care	-	-	-	-
Unreserved, undesignated	(98,416)	-	-	(98,416)
Total fund balances	<u>(98,416)</u>	<u>73,577</u>	<u>120,911</u>	<u>96,072</u>
Total liabilities and fund balances	<u>\$ 49,584</u>	<u>\$ 73,577</u>	<u>\$ 328,440</u>	<u>\$ 451,601</u>

Redevelopment Agency	Special Revenue			Permanent Fund		Total Nonmajor Governmental Funds
	UDAG	Building Authority	Total	Perpetual Care		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	2,046		261,305
9,227	\$ 69,394	186,585	265,206	64,757		522,305
<u>\$ 9,227</u>	<u>\$ 69,394</u>	<u>\$ 186,585</u>	<u>\$ 265,206</u>	<u>\$ 66,803</u>		<u>\$ 783,610</u>
\$ -	\$ -	\$ -	\$ -	\$ -		\$ 98,416
-	-	-	-	-		257,113
-	-	-	-	-		355,529
-	-	186,585	186,585	-		381,073
9,227	69,394	-	78,621	-		78,621
-	-	-	-	66,803		66,803
-	-	-	-	-		(98,416)
<u>9,227</u>	<u>69,394</u>	<u>186,585</u>	<u>265,206</u>	<u>66,803</u>		<u>428,081</u>
<u>\$ 9,227</u>	<u>\$ 69,394</u>	<u>\$ 186,585</u>	<u>\$ 265,206</u>	<u>\$ 66,803</u>		<u>\$ 783,610</u>

RICHFIELD CITY, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year End June 30, 2005

	Debt Service			
	1994 Street Improvement District	SID Guaranty	Main St. Improvement	Total
Revenues				
Special assessments	\$ 13,224	\$ -	\$ 42,113	\$ 55,337
Property taxes	-	24,838	-	24,838
Rental income	-	-	-	-
Investment earnings	2,365	-	11,328	13,693
Other revenues	-	4,937	-	4,937
	<u>15,589</u>	<u>29,775</u>	<u>53,441</u>	<u>98,805</u>
Expenditures				
Current:				
General government	-	-	-	-
Principal	147,000	-	73,000	220,000
Interest	10,390	-	20,434	30,824
	<u>157,390</u>	<u>-</u>	<u>93,434</u>	<u>250,824</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(141,801)</u>	<u>29,775</u>	<u>(39,993)</u>	<u>(152,019)</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	67,000	67,000
Operating transfers out	-	(67,000)	-	(67,000)
	<u>-</u>	<u>(67,000)</u>	<u>67,000</u>	<u>-</u>
Net change in fund balances	(141,801)	(37,225)	27,007	(152,019)
Fund balances, beginning of year	43,385	110,802	93,904	248,091
Prior period adjustment	-	-	-	-
Fund balances, end of year	<u>\$ (98,416)</u>	<u>\$ 73,577</u>	<u>\$ 120,911</u>	<u>\$ 96,072</u>

Special Revenue				Permanent Fund	Total Nonmajor Governmental Funds
Redevelopment Agency	Peterson UDAG	Building Authority	Total	Perpetual Care	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,337
178,308	-	-	178,308	-	203,146
-	-	267,725	267,725	-	267,725
-	1,216	1,501	2,717	2,351	18,761
-	-	224,000	224,000	10,559	239,496
178,308	1,216	493,226	672,750	12,910	784,465
154,350	-	4,780	159,130	-	159,130
-	-	216,000	216,000	-	436,000
-	-	48,875	48,875	-	79,699
154,350	-	269,655	424,005	-	674,829
23,958	1,216	223,571	248,745	12,910	109,636
-	-	-	-	-	67,000
-	-	(37,000)	(37,000)	(41,432)	(145,432)
-	-	(37,000)	(37,000)	(41,432)	(78,432)
23,958	1,216	186,571	211,745	(28,522)	31,204
269	68,178	14	68,461	95,325	411,877
(15,000)	-	-	(15,000)	-	(15,000)
\$ 9,227	\$ 69,394	\$ 186,585	\$ 265,206	\$ 66,803	\$ 428,081

RICHFIELD CITY, UTAH
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2005

	<u>Landfill Fund</u>	<u>Refuse Collection</u>	<u>Totals 2004</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 14,260	\$ 14,210	\$ 28,470
Receivables, net of allowance	21,163	17,807	38,970
Total assets	<u>35,423</u>	<u>32,017</u>	<u>67,440</u>
Liabilities			
Current liabilities:			
Accounts payable	35,423	15,763	51,186
Total liabilities	<u>35,423</u>	<u>15,763</u>	<u>51,186</u>
Net Assets			
Unrestricted	-	16,254	16,254
Total net assets	<u>\$ -</u>	<u>\$ 16,254</u>	<u>\$ 16,254</u>

RICHFIELD CITY, UTAH
Combining Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Proprietary Funds
For the Year Ended June 30, 2005

	<u>Landfill Fund</u>	<u>Refuse Collection</u>	<u>Totals 2005</u>
Operating revenues:			
Charges for services	\$ 226,200	\$ 193,927	\$ 420,127
Total operating revenues	<u>226,200</u>	<u>193,927</u>	<u>420,127</u>
Operating expenses:			
Bad debts	145	180	325
Contractual services	212,126	187,683	399,809
Office expense	-	4,531	4,531
Total operating expenses	<u>212,271</u>	<u>192,394</u>	<u>404,665</u>
Operating income (loss)	<u>13,929</u>	<u>1,533</u>	<u>15,462</u>
Contributions and transfers:			
Transfers to other funds	<u>(13,929)</u>	<u>-</u>	<u>(13,929)</u>
Change in net assets	<u>-</u>	<u>1,533</u>	<u>1,533</u>
Total net assets, beginning of year,	<u>-</u>	<u>14,721</u>	<u>14,721</u>
Total net assets, end of year	<u>\$ -</u>	<u>\$ 16,254</u>	<u>\$ 16,254</u>

RICHFIELD CITY, UTAH
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2005

	Landfill Fund	Refuse Collection	Totals 2004
Cash flows from operating activities:			
Cash received from customers, service fees	\$ 226,322	\$ 193,589	\$ 419,911
Cash paid to suppliers	(198,133)	(179,379)	(377,512)
Net cash flows from operating activities	<u>28,189</u>	<u>14,210</u>	<u>42,399</u>
Cash flows from noncapital financing activities:			
Transfers (to) from other funds	(13,929)	-	(13,929)
Net cash flows from noncapital financing activities	<u>(13,929)</u>	<u>-</u>	<u>(13,929)</u>
Net change in cash and cash equivalents	14,260	14,210	28,470
Cash and cash equivalents, beginning of year	-	-	-
Cash and cash equivalents, end of year	<u>\$ 14,260</u>	<u>\$ 14,210</u>	<u>\$ 28,470</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:			
Net operating income (loss)	\$ 13,929	\$ 1,533	\$ 15,462
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities			
Changes in operating assets and liabilities:			
(Increase) Decrease in receivables	122	(338)	(216)
Increase (Decrease) in accounts payable	17,765	15,133	32,898
Increase (Decrease) in due to other funds	<u>(3,627)</u>	<u>(2,118)</u>	<u>(5,745)</u>
Net cash flows from operating activities	<u>\$ 28,189</u>	<u>\$ 14,210</u>	<u>\$ 42,399</u>
Noncash investing, capital, and financing activities			
No items noted			

FEDERAL AND STATE REPORTS



KEMP BURDICK
KEMP BURDICK HINTON & HALL L.L.C.
CPA'S & ADVISORS

**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

MEMBERS:
KRIS J. BRAUNBERGER
DEAN R. BURDICK
BRENT R. HALL
KENNETH A. HINTON
GREGORY A. KEMP
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

The Honorable Mayor and
Members of the City Council
Richfield, Utah

We have audited the financial statements of Richfield City, Utah, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Richfield City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance, which we have reported to management of Richfield City in a separate letter dated October 7, 2005.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Richfield City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the mayor, audit committee, management, and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

While these reports are intended to be used by the specified parties, which include the applicable government regulatory bodies which require the reports, this report restriction does not alter the fact that the audit reports are public documents which, based on Utah laws, must be open to inspection by any interested person.

Kemp, Burdick, Hinton & Hall, L.C.

KEMP, BURDICK, HINTON & HALL, L.C.

October 7, 2005



MEMBERS:
KRIS J. BRAUNBERGER
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KENNETH A. HINTON
GREGORY A. KEMP
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

**Independent Auditors' Report on
State Legal Compliance**

The Honorable Mayor and
Members of the City Council
Richfield, Utah

We have audited the basic financial statements of Richfield City, Utah, for the year ended June 30, 2005, and have issued our report thereon dated October 7, 2005. As part of our audit, we have audited Richfield City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Liquor Law Enforcement
B & C Road Funds
Other General Compliance Issues
Department of Commerce
Impact Fees & Other Development Fees
Asset Forfeitures

The management of Richfield City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material non-compliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of non-compliance with the requirements referred to above, which are described in the accompanying schedule of findings and recommendations. We considered these instances of non-compliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Richfield City, Utah, complied, in all material aspects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Kemp, Burdick, Hinton & Hall, L.C.

KEMP, BURDICK, HINTON & HALL, L.C.

October 7, 2005



KEMPBURDICK

KEMP BURDICK HINTON & HALL L.C.

CPA'S & ADVISORS

Findings and Recommendations

The Honorable Mayor and
City Council
Richfield City, Utah

Ladies and Gentlemen:

During our audit of the funds of Richfield City for the fiscal year ended June 30, 2005, we noted several improvements in the City's accounting and budgeting system and wish to commend the City for making several needed changes and improvements. We noted several areas needing corrective action in order for the City to be in compliance with state laws and regulations. These items are discussed below for your consideration.

State Compliance Findings and Recommendations:

05-01. Budgetary Compliance - Exceeding Budget Appropriations

Finding

The Fiscal Procedures Act for Utah Cities requires cities to restrict expenditures to the authorized department budget. The City was over-budget in the general fund streets and swimming pool departments. We also noted that the building authority and SID guaranty funds were over budget in total expenditures.

Recommendation

We recommend that the City operate within the confines of State law by limiting expenditures or following proper procedures to adjust the departmental budgets.

Managements' Response

We concur with the finding and recommendation.

MEMBERS:

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05-02. Cash Receipts Deposit Compliance

During our test work of cash receipts deposits made within three business days, we noted that the Airport, Golf Course and Swimming Pool had several instances of not depositing within the requirement time frame.

Recommendation

We recommend that the City deposit all cash receipts within three business days

Managements' Response

We concur with the finding and recommendation.

05-03. B&C Road Retainage Interest Compliance

During test work of B&C Road projects, it was noted that interest income was not accrued and paid to the contractor on payments retained by the City per *Utah Code, Section 72-3-108(6)*.

Recommendation

We recommend that the City accrue and pay interest on B&C road project retainage.

Managements' Response

We concur with the finding and recommendation.

05-04. Deficit Fund Balance

We noted that the 1994 Street Improvement debt service fund has a deficit fund balance.

Recommendation

We recommend that the City take any necessary action to correct the deficit fund balance in the 1994 Street Improvement debt service fund.

Managements' Response

We concur with the finding and recommendation and will take the necessary steps to transfer funds into the fund.

General Findings and Recommendations:

05-01. Actual Transfers Exceeding Budgeted Transfers

We noted that several transfers exceeded the amount budgeted.

Recommendation

We recommend that the City ensure that actual transfers equal budgeted transfers.

Management's Response

We concur with the finding and recommendation.

This letter is intended solely for the use of the city council and management.

It has been a pleasure to be of service to the City this past year. We would like to express special thanks to each of you who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued professional relationship.

Sincerely,

Kemp, Burdick, Hinton & Hall, L.C.

KEMP, BURDICK, HINTON & HALL, L.C.

October 7, 2005